

# FRANKLIN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2011

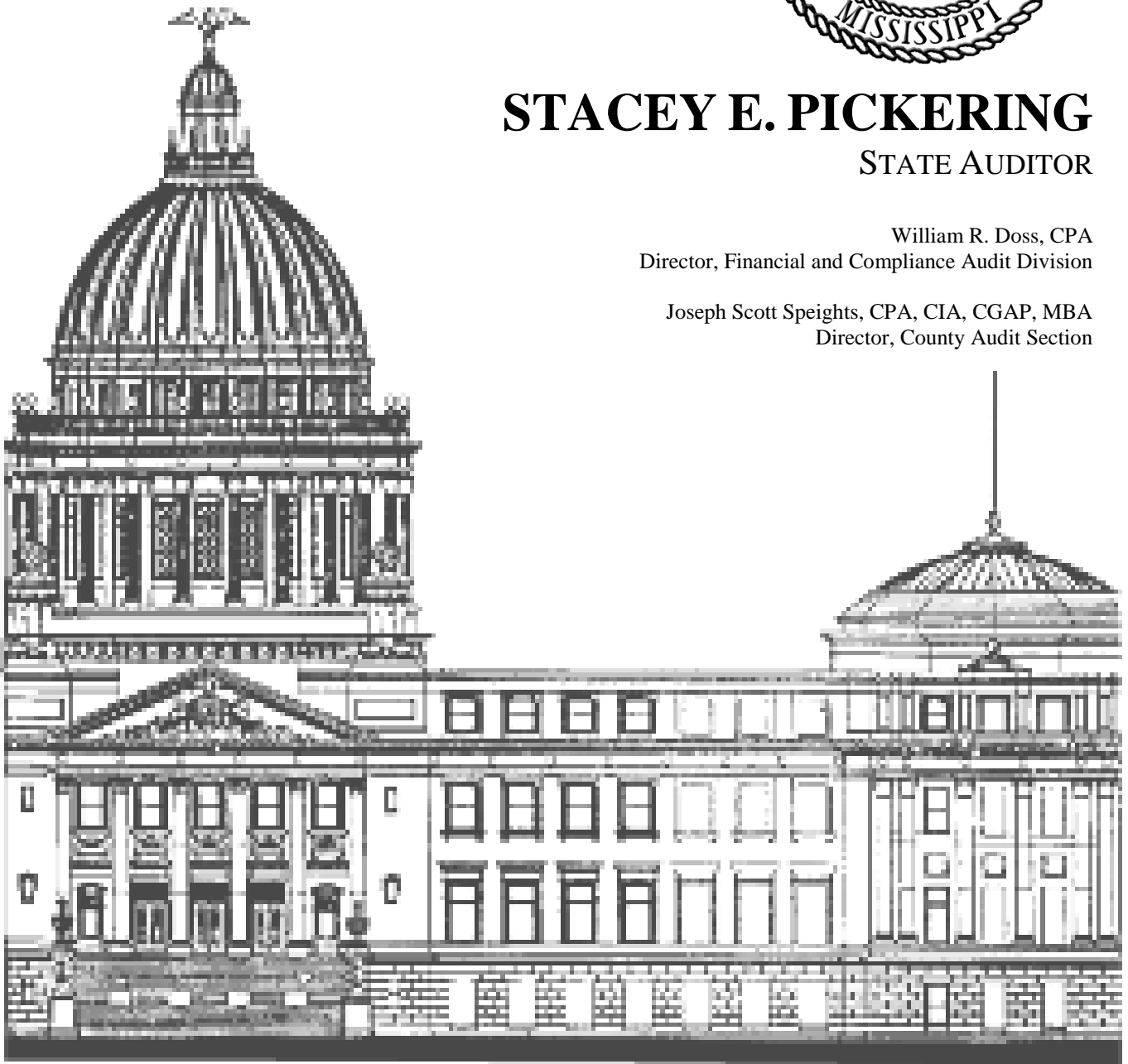


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

September 21, 2012

Members of the Board of Supervisors  
Franklin County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Franklin County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Franklin County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Franklin County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering  
State Auditor



FRANKLIN COUNTY  
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FRANKLIN COUNTY

FINANCIAL SECTION

FRANKLIN COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Franklin County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Franklin County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2012, on our consideration of Franklin County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Franklin County, Mississippi, has not presented Management's Discussion and Analysis, that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Will R. Doss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 21, 2012

FRANKLIN COUNTY

FINANCIAL STATEMENTS

FRANKLIN COUNTY

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FRANKLIN COUNTY  
Statement of Net Assets  
September 30, 2011

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 9,619,819	87,498	9,707,317
Investments	123,660		123,660
Property tax receivable	1,624,820	160,000	1,784,820
Accounts receivable (net of allowance for uncollectibles of \$81,530)		90,556	90,556
Fines receivable (net of allowance for uncollectibles of \$272,545)	82,319		82,319
Intergovernmental receivables	40,044		40,044
Other receivables	9,935		9,935
Internal balances	5,702	(5,702)	
Capital assets:			
Land and construction in progress	259,432	1,516	260,948
Other capital assets, net	4,128,818	93,858	4,222,676
Total Assets	<u>15,894,549</u>	<u>427,726</u>	<u>16,322,275</u>
LIABILITIES			
Claims payable	277,264	23,805	301,069
Intergovernmental payables	82,792		82,792
Accrued interest payable	14,174		14,174
Deferred revenue	1,624,820	160,000	1,784,820
Unearned revenue		48,486	48,486
Other payables	32,392		32,392
Long-term liabilities			
Due within one year:			
Capital debt	10,097		10,097
Non-capital debt	65,000		65,000
Due in more than one year:			
Capital debt	6,244		6,244
Non-capital debt	1,045,786	11,735	1,057,521
Total Liabilities	<u>3,158,569</u>	<u>244,026</u>	<u>3,402,595</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,371,909	95,374	4,467,283
Restricted:			
Expendable:			
General government	110,390		110,390
Debt service	174,856		174,856
Public safety	1,227,799		1,227,799
Public works	6,028,075	88,326	6,116,401
Health and welfare	265,734		265,734
Unemployment compensation	33,028		33,028
Unrestricted	524,189		524,189
Total Net Assets	<u>\$ 12,735,980</u>	<u>183,700</u>	<u>12,919,680</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Statement of Activities  
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,629,540	284,812	3,659		(1,341,069)		(1,341,069)
Public safety	775,632	129,607	119,797		(526,228)		(526,228)
Public works	2,377,638		1,560,830	134,058	(682,750)		(682,750)
Health and welfare	107,011		6,099		(100,912)		(100,912)
Culture and recreation	8,802				(8,802)		(8,802)
Education	550,496				(550,496)		(550,496)
Conservation of natural resources	63,339				(63,339)		(63,339)
Economic development and assistance	5,302				(5,302)		(5,302)
Interest on long-term debt	60,003				(60,003)		(60,003)
Total Governmental Activities	<u>5,577,763</u>	<u>414,419</u>	<u>1,690,385</u>	<u>134,058</u>	<u>(3,338,901)</u>	<u>0</u>	<u>(3,338,901)</u>
Business-type activities:							
Solid waste	664,021	405,960				(258,061)	(258,061)
Total Business-type Activities	<u>664,021</u>	<u>405,960</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(258,061)</u>	<u>(258,061)</u>
Total Primary Government	<u>\$ 6,241,784</u>	<u>820,379</u>	<u>1,690,385</u>	<u>134,058</u>	<u>(3,338,901)</u>	<u>(258,061)</u>	<u>(3,596,962)</u>
General revenues:							
Property taxes					\$ 2,193,714	219,885	2,413,599
Road & bridge privilege taxes					137,849		137,849
Grants and contributions not restricted to specific programs					768,261		768,261
Unrestricted interest income					26,648	313	26,961
Miscellaneous					32,249	3,445	35,694
Gain (loss) from disposal of assets						(6,649)	(6,649)
Total General Revenues					<u>3,158,721</u>	<u>216,994</u>	<u>3,375,715</u>
Changes in Net Assets					<u>(180,180)</u>	<u>(41,067)</u>	<u>(221,247)</u>
Net Assets - Beginning					<u>12,916,160</u>	<u>224,767</u>	<u>13,140,927</u>
Net Assets - Ending					<u>\$ 12,735,980</u>	<u>183,700</u>	<u>12,919,680</u>

The notes to the financial statements are an integral part of this statement.



FRANKLIN COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2011

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>County wide Bridge and Culvert Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 1,719,066	2,113,376	5,787,377	9,619,819
Investments			123,660	123,660
Property tax receivable	1,135,000	12,000	477,820	1,624,820
Fines receivable (net of allowance for uncollectibles of \$272,545)	82,319			82,319
Intergovernmental receivables	40,044			40,044
Other receivables	9,935			9,935
Due from other funds	8,532	229	26,152	34,913
Total Assets	<u>\$ 2,994,896</u>	<u>2,125,605</u>	<u>6,415,009</u>	<u>11,535,510</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 80,526	647	196,091	277,264
Intergovernmental payables	79,644			79,644
Due to other funds	32,359			32,359
Deferred revenue	1,217,319	12,000	477,820	1,707,139
Other payables	32,392			32,392
Total Liabilities	<u>1,442,240</u>	<u>12,647</u>	<u>673,911</u>	<u>2,128,798</u>
Fund balances:				
Restricted for:				
General government			110,390	110,390
Public safety			1,227,799	1,227,799
Public works		2,112,958	3,915,117	6,028,075
Health and welfare			265,734	265,734
Debt service			189,030	189,030
Unemployment compensation			33,028	33,028
Unassigned	1,552,656			1,552,656
Total Fund Balances	<u>1,552,656</u>	<u>2,112,958</u>	<u>5,741,098</u>	<u>9,406,712</u>
Total Liabilities and Fund Balances	<u>\$ 2,994,896</u>	<u>2,125,605</u>	<u>6,415,009</u>	<u>11,535,510</u>

The notes to the financial statements are an integral part of this statement.

## FRANKLIN COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,406,712
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,531,262.	4,388,250
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	82,319
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,127,127)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(14,174)</u>
Total Net Assets - Governmental Activities	\$ <u><u>12,735,980</u></u>

The notes to the financial statements are an integral part of this statement.

## FRANKLIN COUNTY

Exhibit 4

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2011

	Major Funds		Other	Total
	General	Countywide	Governmental	Governmental
	Fund	Bridge and	Funds	Funds
		Culvert Fund		
REVENUES				
Property taxes	\$ 1,538,091	17,213	638,410	2,193,714
Road and bridge privilege taxes			137,724	137,724
Licenses, commissions and other revenue	93,151			93,151
Fines and forfeitures	207,789		4,977	212,766
Intergovernmental revenues	1,314,878	15,119	1,266,184	2,596,181
Charges for services	2,420		97,993	100,413
Interest income	7,094	5,111	14,443	26,648
Miscellaneous revenues	25,723		5,171	30,894
Total Revenues	3,189,146	37,443	2,164,902	5,391,491
EXPENDITURES				
Current:				
General government	1,521,088		78,460	1,599,548
Public safety	592,428		196,780	789,208
Public works		210,430	2,102,292	2,312,722
Health and welfare	86,519		20,497	107,016
Culture and recreation			8,802	8,802
Education	550,496			550,496
Conservation of natural resources	63,339			63,339
Economic development and assistance	5,302			5,302
Debt service:				
Principal			76,875	76,875
Interest			62,415	62,415
Total Expenditures	2,819,172	210,430	2,546,121	5,575,723
Excess of Revenues over				
(under) Expenditures	369,974	(172,987)	(381,219)	(184,232)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,150		6,515	8,665
Transfers in		250,000	315,435	565,435
Transfers out	(561,300)		(4,135)	(565,435)
Total Other Financing Sources and Uses	(559,150)	250,000	317,815	8,665
Net Changes in Fund Balances	(189,176)	77,013	(63,404)	(175,567)
Fund Balances - Beginning	1,741,832	2,035,945	5,804,502	9,582,279
Fund Balances - Ending	\$ 1,552,656	2,112,958	5,741,098	9,406,712

The notes to the financial statements are an integral part of this statement.

## FRANKLIN COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (175,567)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$177,558 were exceeded by depreciation of \$252,768 in the current period.	(75,210)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$1,734 and the proceeds from the sale of \$8,665 in the current period.	(10,399)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	7,826
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments of \$76,875.	76,875
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The increase in compensated absences payable	(4,372)
The decrease in accrued interest payable	<u>667</u>
Change in Net Assets of Governmental Activities	\$ <u>(180,180)</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2011

Exhibit 5

	Business-type Activities- Enterprise Fund
	Sanitation and Waste Removal Fund
ASSETS	
Current assets:	
Cash	\$ 87,498
Property tax receivable	160,000
Accounts receivable (net of allowance for uncollectibles of \$81,530)	90,556
Due from other funds	2,830
Total Current Assets	<u>340,884</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	1,516
Other capital assets, net	93,858
Total Noncurrent Assets	<u>95,374</u>
Total Assets	<u>436,258</u>
LIABILITIES	
Current liabilities:	
Claims payable	23,805
Due to other funds	8,532
Deferred revenue	160,000
Unearned revenue	48,486
Total Current Liabilities	<u>240,823</u>
Non-capital debt:	
Compensated absences payable	11,735
Total Liabilities	<u>252,558</u>
NET ASSETS	
Invested in capital assets	95,374
Restricted for:	
Public works	88,326
Total Net Assets	\$ <u>183,700</u>

The notes to the financial statements are an integral part of this statement.

## FRANKLIN COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2011

	Business-type Activities - Enterprise Fund Sanitation and Waste Removal Fund
Operating Revenues	
Charges for services	\$ 405,960
Miscellaneous	3,445
Total Operating Revenues	<u>409,405</u>
Operating Expenses	
Personal services	316,816
Contractual services	257,869
Materials and supplies	61,519
Depreciation expense	19,285
Indirect administrative cost	8,532
Total Operating Expenses	<u>664,021</u>
Operating Income (Loss)	<u>(254,616)</u>
Nonoperating Revenues (Expenses)	
Property tax	219,885
Interest income	313
Other expenses	(6,649)
Net Nonoperating Revenue (Expenses)	<u>213,549</u>
Net Income (Loss)	<u>(41,067)</u>
Changes in Net Assets	<u>(41,067)</u>
Net Assets - Beginning	<u>224,767</u>
Net Assets - Ending	<u>\$ 183,700</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2011

Exhibit 7

	Business-type Activities- Enterprise Fund Sanitation and Waste Removal Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 412,941
Payments to suppliers	(332,837)
Payments to employees	(317,489)
Payments to General Fund for indirect costs	(8,734)
Other operating cash receipts	3,445
Net Cash Provided (Used) by Operating Activities	(242,674)
Cash Flows From Noncapital Financing Activities	
Cash received from property taxes	220,276
Net Cash Provided (Used) by Noncapital Financing Activities	220,276
Cash Flows From Investing Activities	
Interest on deposits	313
Net Cash Provided (Used) by Investing Activities	313
Net Increase (Decrease) in Cash and Cash Equivalents	(22,085)
Cash and Cash Equivalents at Beginning of Year	109,583
Cash and Cash Equivalents at End of Year	\$ 87,498
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (254,616)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	19,285
Provision for uncollectible accounts	(5,474)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	11,990
Increase (decrease) in claims payable	(13,449)
Increase (decrease) in unearned revenue	465
Increase (decrease) in compensated absences liability	(673)
Increase (decrease) in interfund payables	(202)
Total Adjustments	11,942
Net Cash Provided (Used) by Operating Activities	\$ (242,674)

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2011

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 558,098
Due from other funds	3,148
Total Assets	\$ <u>561,246</u>
LIABILITIES	
Amounts held in custody for others	\$ 561,246
Total Liabilities	\$ <u>561,246</u>

The notes to the financial statements are an integral part of this statement.



## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Franklin County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Franklin County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Franklin County Memorial Hospital
- Okhissa Lake Sewer District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge and culvert maintenance.

The county reports the following major Enterprise Fund:

Sanitation and Waste Removal Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

#### PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

#### E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

#### F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

# FRANKLIN COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

### H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Franklin County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

### I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

#### J. Equity Classifications.

##### Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

##### Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

#### M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

#### (2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

#### (3) Deposits and Investments.

##### Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$10,265,415, and the bank balance was \$10,338,061. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

# FRANKLIN COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

### Investments:

Investments balances at September 30, 2011, are as follows:

Investment Type	Maturities	Fair Value	Rating
Hancock Horizon Treasury Securities			
Money Market Mutual Fund	Less than one year	\$ 123,660	AAAm

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to special obligation bonds for the Franklin County, Mississippi, Franklin County Memorial Hospital.

**Interest Rate Risk.** The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

**Credit Risk.** State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk .

**Custodial Credit Risk - Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Markey Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

### (4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

#### A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Sanitation and Waste Removal	\$ 8,532
Countywide bridge and culvert	General	229
Other Governmental Funds	General	26,152
Sanitation and Waste Removal	General	2,830
Agency Funds	General	3,148
Total		\$ 40,891

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

The amount payable to the General Fund from the Sanitation and Waste Removal Fund represents indirect administrative costs incurred for the fiscal year ended September 30, 2011. The receivables represent the tax revenue collected but not settled until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Countywide Bridge and Culvert	General Fund	\$ 250,000
Other Governmental Funds	General Fund	311,300
Other Governmental Funds	Other Governmental Funds	4,135
Total		<u>\$ 565,435</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 38,453
Homeland Security	1,591
Total Governmental Activities	<u>\$ 40,044</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

**Governmental activities:**

	<u>Balance Oct. 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Balance Sept. 30, 2011</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 259,432				259,432
Total non-depreciable capital assets	<u>259,432</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>259,432</u>
<u>Depreciable capital assets:</u>					
Infrastructure	2,953,998				2,953,998
Buildings	1,947,363				1,947,363
Improvements other than buildings	332,052				332,052
Mobile equipment	4,023,323	141,457	(103,997)	23,400	4,084,183
Furniture and equipment	293,758	36,101		(23,400)	306,459
Leased property under capital leases	<u>36,025</u>				<u>36,025</u>
Total depreciable capital assets	<u>9,586,519</u>	<u>177,558</u>	<u>(103,997)</u>	<u>0</u>	<u>9,660,080</u>



FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Less accumulated depreciation for:</u>					
Infrastructure	555,095	83,289			638,384
Buildings	1,002,627	24,354			1,026,981
Improvements other than buildings	199,236	13,283			212,519
Mobile equipment	3,361,647	116,599	(93,598)		3,384,648
Furniture and equipment	240,528	12,004			252,532
Leased property under capital leases	12,959	3,239			16,198
Total accumulated depreciation	5,372,092	252,768	(93,598)	0	5,531,262
Total depreciable capital assets, net	4,214,427	(75,210)	(10,399)	0	4,128,818
Governmental activities capital assets, net	\$ 4,473,859	(75,210)	(10,399)	0	4,388,250
<b>Business-type activities:</b>					
	Balance Oct. 1, 2010	Additions	Deletions	Adjustments	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,516				1,516
Total non-depreciable capital assets	1,516	0	0	0	1,516
<u>Depreciable capital assets:</u>					
Mobile equipment	426,610		(66,491)		360,119
Total depreciable capital assets	426,610	0	(66,491)	0	360,119
<u>Less accumulated depreciation for:</u>					
Mobile equipment	306,818	19,285	(59,842)		266,261
Total accumulated depreciation	306,818	19,285	(59,842)	0	266,261
Total depreciable capital assets, net	119,792	(19,285)	(6,649)	0	93,858
Business-type activities capital assets, net	\$ 121,308	(19,285)	(6,649)	0	95,374

\* The adjustment is to correct an error.

# FRANKLIN COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 43,921
Public safety	71,891
Public works	<u>136,956</u>
Total governmental activities depreciation expense	<u>\$ 252,768</u>
Business-type activities:	
Solid waste	\$ <u>19,285</u>
Total business-type activities depreciation expense	<u>\$ 19,285</u>

### (7) Claims and Judgments.

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (8) Capital Leases.

#### As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

Classes of Property	Governmental Activities
Mobile equipment	\$ 36,025
Less: Accumulated depreciation	<u>(16,198)</u>
Leased Property Under Capital Leases	<u>\$ 19,827</u>

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2012	\$ 4,620	68
Total	<u>\$ 4,620</u>	<u>68</u>

FRANKLIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2011

(9) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. Limited Obligation Bonds: Hospital bonds – Series 2003	\$ <u>1,050,000</u>	2.00/5.50%	7/2023
B. Capital Leases: New Holland model TL90A tractor	\$ <u>4,620</u>	4.45%	4/2012
C. Other Loans: Fire truck CAP loan #03-019-CP-01	\$ <u>11,721</u>	3.00%	1/2014

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2012	\$ 65,000	56,694
2013	65,000	53,688
2014	70,000	50,600
2015	75,000	46,750
2016	80,000	42,625
2017 – 2021	470,000	142,175
2022 – 2026	<u>225,000</u>	<u>18,700</u>
Total	\$ <u>1,050,000</u>	<u>411,232</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2012	\$ 5,477	316
2013	5,644	150
2014	<u>600</u>	<u>12</u>
Total	\$ <u>11,721</u>	<u>478</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 1.19% of the latest property assessments.

# FRANKLIN COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2011

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 56,414	4,372			60,786	
Limited obligation bonds	1,110,000		60,000		1,050,000	65,000
Capital leases	12,268		7,648		4,620	4,620
Other loans	20,948		9,227		11,721	5,477
Total	\$ 1,199,630	4,372	76,875	0	1,127,127	75,097
<b>Business-type Activities:</b>						
Compensated absences	\$ 12,408		673		11,735	
Total	\$ 12,408	0	673	0	11,735	0

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, and Sanitation and Waste Removal Funds.

### (10) Contingencies.

**Federal Grants** - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

**Litigation** - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

### (11) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Franklin County Board of Supervisors appoints two of the 27 members of the college board of trustees. The county appropriated \$177,600 for maintenance and support of the college in fiscal year 2011.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Franklin County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$18,302 for maintenance and support of the district in fiscal year 2011.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Franklin County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$18,000 for maintenance and support of the Mental Health Complex in fiscal year 2011.

## FRANKLIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2011

Southwest Mississippi Partnership operates a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members, appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The county did not appropriate any money for maintenance and support of the Southwest Mississippi Partnership in fiscal year 2011.

(12) Defined Benefit Pension Plan.

Plan Description. Franklin County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$198,234, \$196,841 and \$192,030, respectively, equal to the required contributions for each year.

FRANKLIN COUNTY

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FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,591,400	1,542,506	1,542,506	
Licenses, commissions and other revenue	74,600	91,284	91,284	
Fines and forfeitures	53,100	205,106	205,106	
Intergovernmental revenues	584,550	772,099	772,099	
Charges for services	7,500	2,420	2,420	
Interest income	4,200	7,096	7,096	
Miscellaneous revenues		25,723	25,723	
Total Revenues	<u>2,315,350</u>	<u>2,646,234</u>	<u>2,646,234</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,581,335	1,507,372	1,507,372	
Public safety	781,775	598,959	598,959	
Health and welfare	94,185	86,584	86,584	
Conservation of natural resources	65,400	60,960	60,960	
Economic development and assistance	7,002	5,302	5,302	
Total Expenditures	<u>2,529,697</u>	<u>2,259,177</u>	<u>2,259,177</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(214,347)</u>	<u>387,057</u>	<u>387,057</u>	
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		2,150	2,150	
Transfers in		8,734	8,734	
Transfers out		(561,300)	(561,300)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(550,416)</u>	<u>(550,416)</u>	<u>0</u>
Net Change in Fund Balance	<u>(214,347)</u>	<u>(163,359)</u>	<u>(163,359)</u>	
Fund Balances - Beginning	<u>1,701,720</u>	<u>1,751,228</u>	<u>1,751,228</u>	
Fund Balances - Ending	<u>\$ 1,487,373</u>	<u>1,587,869</u>	<u>1,587,869</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.



FRANKLIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Bridge and Culvert Fund  
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 16,375	17,191	17,191	
Intergovernmental revenues	30,400	15,119	15,119	
Interest income	2,600	5,111	5,111	
Miscellaneous revenues	3,000			
Total Revenues	<u>52,375</u>	<u>37,421</u>	<u>37,421</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	95,855	218,218	218,218	
Total Expenditures	<u>95,855</u>	<u>218,218</u>	<u>218,218</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(43,480)</u>	<u>(180,797)</u>	<u>(180,797)</u>	
OTHER FINANCING SOURCES (USES)				
Transfers in		250,000	250,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Net Change in Fund Balance	(43,480)	69,203	69,203	
Fund Balances - Beginning	<u>2,000,000</u>	<u>2,044,173</u>	<u>2,044,173</u>	
Fund Balances - Ending	<u>\$ 1,956,520</u>	<u>2,113,376</u>	<u>2,113,376</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

# FRANKLIN COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2011

### A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Countywide Bridge and Culvert Fund
Budget (Cash Basis)	\$ (163,359)	69,203
Increase (Decrease)		
Net adjustments for revenue accruals	542,912	22
Net adjustments for expenditure accruals	<u>(568,729)</u>	<u>7,788</u>
GAAP Basis	<u>\$ (189,176)</u>	<u>77,013</u>

FRANKLIN COUNTY

SUPPLEMENTAL INFORMATION

FRANKLIN COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture Passed through the Mississippi State Treasurer's Office Schools and roads grants to states*	10.665	N/A	\$ <u>1,080,350</u>
U.S. Department of Commerce Passed through the Mississippi Department of Information Technology Services Public safety interoperable communications grant program	11.555	0711 PSIC	<u>69,514</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 074 B (19)	<u>24,900</u>
U.S. Department of Homeland Security/ Passed through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	N/A	<u>20,105</u>
Total Expenditures of Federal Awards			\$ <u><u>1,194,869</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

\* Denotes major federal award program

## FRANKLIN COUNTY

## SPECIAL REPORTS

FRANKLIN COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Franklin County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Franklin County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 21, 2012. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Franklin County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

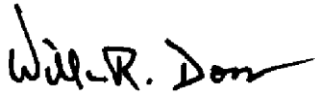
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider all deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1, 11-2, 11-3, and 11-4 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 21, 2012





**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Franklin County, Mississippi

Compliance

We have audited the compliance of Franklin County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2011. Franklin County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Franklin County, Mississippi's management. Our responsibility is to express an opinion on Franklin County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Franklin County, Mississippi's compliance with those requirements.

In our opinion, Franklin County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

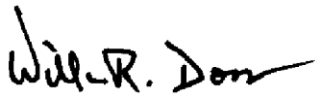
Internal Control Over Compliance

The management of Franklin County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Franklin County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 21, 2012



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Franklin County, Mississippi

We have examined Franklin County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Franklin County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

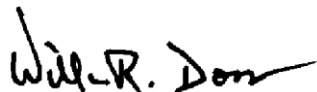
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Franklin County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Franklin County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented, in all material respects, when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Franklin County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 21, 2012

FRANKLIN COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2011

Our test results did not identify any purchases from other than the lowest bidder.

FRANKLIN COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2011

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
11/10/2010	Bridge Repair	\$ 7,649 41,238.21	Follen Wood S&S Dragline	To repair bridge due to streambed erosion, rotting sills and damage to stringers.
01/04/11	Gasoline Diesel	2.33 per gal. 2.50 per gal.	Kaiser Petroleum	Buffalo Services would not deliver fuel in a timely manner.

FRANKLIN COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2011

Our test results did not identify any purchases made noncompetitively from a sole source.

FRANKLIN COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Franklin County, Mississippi

In planning and performing our audit of the financial statements of Franklin County, Mississippi for the year ended September 30, 2011, we considered Franklin County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Franklin County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 21, 2012, on the financial statements of Franklin County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss".

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

September 21, 2012

FRANKLIN COUNTY

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FRANKLIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FRANKLIN COUNTY

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FRANKLIN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

***Financial Statements:***

1. Type of auditor's report issued on the financial statements:
 

Governmental activities	Unqualified
Business-type activities	Unqualified
Aggregate discretely presented component units	Adverse
General Fund	Unqualified
Countywide Bridge and Culvert Fund	Unqualified
Sanitation and Waste Removal Fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes
  - b. Significant deficiencies identified? None Reported
3. Noncompliance material to the financial statements noted? No

***Federal Awards:***

4. Internal control over major programs:
  - a. Material weaknesses identified? No
  - b. Significant deficiency identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs: Unqualified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section \_\_\_\_510(a) of OMB Circular A-133? No
7. Federal programs identified as major programs:
  - a. School and roads grants to states, CFDA #10.665
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_\_\_315(b) of OMB A-133? No

## FRANKLIN COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

#### Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 11-1. Financial data of the County's component units should be included in its financial statements.

#### Finding

Generally accepted accounting principles require the financial data of the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include financial data of its component units. The financial statements do not include the financial data for the county's legally separate component units. The failure to follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

#### Recommendation

The Board of Supervisors should provide financial data for its discretely presented component units for the inclusion in the county's financial statements.

#### Board of Supervisors' Response

Okhissa Lake Sewer Board resigned. The Board of Supervisors is in the process of obtaining new board members and financial papers will be presented to the CPA once new board is sworn in and bonded.

Board of Supervisors.

Material Weakness

- 11-2. The duties of the Solid Waste Office should be properly segregated.

#### Finding

To ensure a proper accounting of funds, the duties of receiving, receipting, recording, performing reconciliations and authorizing disbursements should be segregated. As reported the prior year's audit report, based on inquiries of county personnel and test work performed, it was noted that receiving, receipting, recording, performing reconciliations, and authorizing disbursements within the Solid Waste office were not properly segregated to assure adequate internal control structure. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

#### Recommendation

Management should be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's knowledge of office operations and a periodic review of operations.

#### Board of Supervisors' Response

County is aware of condition mentioned above. Due to the fact that there is only one full time and one part time employee in the Solid Waste Office, these duties cannot be segregated on a daily basis. Bank reconciliations are currently being reviewed on a monthly basis by the Chancery Clerk.

FRANKLIN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011

Sheriff.

Material Weakness

- 11-3. The Sheriff's Office should make daily deposits.

Finding

An effective system of internal controls over cash requires that daily bank deposits be made. As reported in the last three years' audit reports, the Sheriff failed to make daily deposits throughout the fiscal year. This failure to make daily deposits could result in the misappropriation of public funds.

Recommendation

The Sheriff should implement internal controls to ensure that daily bank deposits are made.

Board of Supervisors' Response

Bank deposits will be made daily. The Chancery Clerk's office will be responsible for picking up the deposit and walking it to the bank on a daily basis. This is an ongoing finding and we feel this action will correct this issue.

Justice Court Clerk.

Material Weakness

- 11-4. The Justice Court Clerk's Office should implement controls to correctly account for cash receipts.

Finding

An effective system if internal control for collecting, recording and disbursing cash in the Justice Court Clerk's office should include maintaining a cash journal and the supporting documentation.

- a. Receipts were not posted to the cash journal.
- b. Monies were not distributed to the appropriate office.

Without adequate accounting records, inaccurate information may be reported resulting in an increased possibility of loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should maintain a cash journal and the supporting documentation to ensure public funds are not misappropriated. Collections should be receipted and posted to the cash journal. Monies collected should be disbursed to the appropriate office.

Board of Supervisors' Response

The clerk and deputy will post all receipts to the cash journal and then disburse to the appropriate parties. The clerk is no longer working in the justice court office that was responsible for this error.